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**HOUSING AUTHORITY OF THE  
CITY OF MORGAN CITY**

Program Number FW-1403

Financial Report  
Year Ended September 30, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4-25-07

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## INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners  
Housing Authority of the City of Morgan City  
Morgan City, Louisiana

We have audited the accompanying financial statements of the business type activities of the Housing Authority of the City of Morgan City (hereinafter "Authority"), as of September 30, 2006 and for the year then ended as listed in the foregoing table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of the Authority, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2007 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 10 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial data schedules (FDS) and supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Authority. Additionally, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of the Authority. The financial data schedules, supplemental information, and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Morgan City Louisiana  
March 29, 2007

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

Housing Authority of Morgan City, Louisiana  
Management's Discussion and Analysis (MD&A) (Unaudited)  
September 30, 2006

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The management of Public Housing Authority of Morgan City, Louisiana presents the following discussion and analysis (MD&A) of the Housing Authority's financial activities for the fiscal year ending September 30, 2006. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's included audited financial statements.

### FINANCIAL HIGHLIGHTS

- ☐ The primary source of funding for these activities continues to be subsidies and grants from the Department of Housing and Urban Development (HUD), whereas tenant rentals provide a secondary but also significant source of funding.
- ☐ The Housing Authority's assets exceeded its liabilities by \$3,761,426 at the close of the fiscal year ended 2006.
  - ☐ Of this amount \$3,306,791 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.
  - ☐ The remainder of \$454,635 of unrestricted assets could be used to meet the Housing Authority's ongoing obligations to citizens and creditors. As a measure of financial strength, this amount equals 22% of the total operating expenses of \$2,050,303 for the fiscal year 2006, which means the Authority might be able to operate about 3 months using the unrestricted assets alone.
- ☐ The Housing Authority's total net assets decreased by \$184,743, a 5% change from the prior fiscal year 2005. This decrease is attributable primarily to significant decreases in Federal grants for capital development, described in more detail below.
- ☐ The decrease in net assets of these funds was accompanied by an decrease in cash by \$129,886 from fiscal year 2005, primarily due to receiving about \$51,000 more for operations than funds expended for operations; spending about \$184,000 more for capital assets than Federal capital grants received; and receiving about \$3,200 of cash for tenant deposits.
- ☐ The Authority spent \$409,116 on construction in progress and \$884,627 on buildings and improvements during the current fiscal year.
- ☐ These changes led to an increase in total assets by \$11,788 and an increase in total liabilities by \$192,211. However, as another measure of financial health, there are still \$2.11 of current assets covering each dollar of total current and long-term liabilities.
- ☐ The Housing Authority continues to operate without the need for debt borrowing.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed, and whether there are inadequacies in the Authority's internal controls.

### **Reporting on the Housing Authority as a Whole**

One of the most important questions asked about the Authority's finances is, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2006?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

### **Fund Financial Statements**

All of the funds of the Housing Authority are reported as proprietary funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Housing Authority's financial statements report its net assets and changes in them. One can think of the Housing Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases and decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors, however, such as the changes in the Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Authority.

### **USING THIS ANNUAL REPORT**

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

- Low Rent Public Housing
- Housing Choice Vouchers
- Public Housing Capital Fund Program
- Public and Indian Housing Drug Elimination Program (completed in fiscal year 2004)

The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

### **Reporting the Housing Authority's Most Significant Funds**

The Housing Authority's financial statements provide detailed information about the most significant funds. Some funds are required to be established by the Department of Housing and Urban Development (HUD). However, the Housing Authority establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money.

The Housing Authority's enterprise funds use the following accounting approach for Proprietary funds: All of the Housing Authority's services are reported in enterprise funds. The focus of proprietary funds is on income measurement, which, together with the maintenance of net assets, is an important financial indicator.

Housing Authority of Morgan City, Louisiana  
 Management's Discussion and Analysis (MD&A) (Unaudited)  
 September 30, 2006

**FINANCIAL ANALYSIS**

The Housing Authority's net assets were \$3,761,426 as of September 30, 2006. Of this amount, \$3,306,791 was invested in capital assets, and the remaining \$454,635 was unrestricted. No other specific Assets are restricted. Also, there are no other restrictions on general Net Assets.

**CONDENSED FINANCIAL STATEMENTS**

**Condensed Balance Sheet  
 (Excluding Interfund Transfers)  
 As of September 30,**

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Current and Restricted Assets	\$ 863,792	\$ 737,733
Capital Assets, Net of Depreciation	<u>3,306,791</u>	<u>3,425,382</u>
Total Assets	<u>4,170,583</u>	<u>4,163,115</u>
<b>LIABILITIES</b>		
Current Liabilities	403,135	208,341
Non-Current Liabilities	<u>6,022</u>	<u>8,605</u>
Total Liabilities	<u>409,157</u>	<u>216,946</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Depreciation	3,306,791	3,425,382
Unrestricted Net Assets	<u>454,635</u>	<u>520,787</u>
Total Net Assets	<u>3,761,426</u>	<u>3,946,169</u>
Total Liabilities and Net Assets	<u>4,170,583</u>	<u>4,163,115</u>



Housing Authority of Morgan City, Louisiana  
Management's Discussion and Analysis (MD&A) (Unaudited)  
September 30, 2006

**CONDENSED FINANCIAL STATEMENTS (Continued)**

The net assets of these funds decreased by \$184,743, or by 5%, from those of fiscal year 2005, as explained below. In the narrative that follows, the detail factors causing this change are discussed:

<b>Condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets</b> <b>(Excluding Interfund Transfers)</b> <b>Fiscal Year Ended September 30,</b>			<b><u>2006</u></b>	<b><u>2005</u></b>
<b>OPERATING REVENUES</b>				
Federal Grants - Operating			\$850,606	\$1,183,806
Rental Revenue			385,519	376,591
Other Tenant Revenue			139,876	130,593
Total Operating Revenues			<u>1,376,001</u>	<u>1,690,990</u>
<b>OPERATING EXPENSES</b>				
Depreciation			570,714	711,709
Utilities			513,161	396,758
Ordinary maintenance and repairs			285,949	297,639
Administration			229,663	366,375
General			218,895	225,573
Housing Assistance Payments to Landlords			231,921	227,879
Protective Services			-	-
Total Operating Expenses			<u>2,050,303</u>	<u>2,225,933</u>
(Losses) from Operations			<u>(674,302)</u>	<u>(534,943)</u>
<b>NON-OPERATING REVENUES</b>				
Federal Grants - Capital			452,120	898,656
Other Non-Tenant Revenue			34,241	47,205
Interest Income			3,198	2,674
Total Non-Operating Revenues			<u>489,559</u>	<u>948,535</u>
<b>NET INCREASE (DECREASE) IN NET ASSETS</b>			<u>(184,743)</u>	<u>413,592</u>
<b>NET ASSETS, Beginning of Year</b>			<u>3,946,169</u>	<u>3,532,577</u>
<b>NET ASSETS, End of Year</b>			<u>3,761,426</u>	<u>3,946,169</u>

## EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating and non-operating revenues decreased \$773,965, or by 29%, from a combination of larger offsetting factors. Reasons for most of this change are listed below in order of impact from greatest to least:

- ☐ Federal Capital Funds from HUD decreased by \$446,536, or by 50% from that of the prior fiscal year. The Housing Authority was still in the process of completing projects funded from grants by HUD for fiscal years 2002 through 2005.
- ☐ Total other non-operating revenue decreased by \$12,964, or by 27% from that of the prior fiscal year, primarily because the Authority received proceeds from an insurance claim in the prior year, but none in the current year.
- ☐ Federal revenues from HUD for operations decreased by \$333,200, or by 28% from that of the prior fiscal year. The determination of operating grants is based in part upon operations performance of prior years. This amount fluctuates from year-to-year because of the complexities of the funding formula HUD employs. Generally, this formula calculates an allowable expense level adjusted for inflation, occupancy, and other factors, and then uses this final result as a basis for determining the grant amount.
- ☐ Total tenant revenue increased by \$18,211, or by 4% from that of the prior fiscal year, due to two major factors: Tenant rental revenues increased by \$8,928, or by 2%, because the annual review of tenant rent fees caused an increase. Finally, other tenant revenues (such as fees collected from tenants for late payment of rent, damages to their units, and other assessments) increased by \$9,283. Since there was an increase in tenant revenues, the amount of these fees changed accordingly.
- ☐ Interest income totaling \$3,198, did not change significantly from the prior to the current year.

Compared with the prior fiscal year, total operating and non-operating expenses decreased \$175,630, or by 8%, but this also was made up of a combination of offsetting factors. Again, reasons for most of this change are listed below in order of impact from greatest to least:

- ☐ Utilities Expense increased by \$116,403, or by 29% from that of the prior fiscal year, due in general to the increase in occupancy rates. Consequently, water consumption increased by \$13,550, gas consumption increased by \$22,451, other utilities expense increased by \$3,588, and electricity consumption increased by \$76,814.
- ☐ Housing Assistance Payments to landlords increased by \$4,042, or by 2% from that of the prior fiscal year, because there was an increase in the number of tenants qualifying for subsidy during the year.
- ☐ Administrative Expenses decreased by \$136,712, or by 37% from that of the prior fiscal year, due to a combination of offsetting factors originating from efforts to conserve costs: Administrative staff salaries decreased by \$65,003 and staff vacation and sick leave pay decreased by \$1,943, but related employee benefit contributions decreased by \$23,762; therefore, total staff salaries and benefit costs decreased by 32%. In addition, staff travel reimbursements increased by \$1,341, staff training costs increased by \$4,273, and sundry expenses increased by \$6,975; therefore, other staff administrative expense increased by 4%. On the other hand, and legal fees decreased by \$30,481, audit fees decreased by \$5,339 and accounting fees decreased by \$3,359 thus, total outside professional fees decreased by 51%.

Housing Authority of Morgan City, Louisiana  
 Management's Discussion and Analysis (MD&A) (Unaudited)  
 September 30, 2006

- General Expenses decreased by \$6,678, or by 3% from that of the prior fiscal year, primarily because payments in lieu of taxes (PILOT) for 2005 and 2006 totaling \$18,266 had not been paid since relief of payment to City of Morgan City is being pursued. PILOT is calculated as a percentage of rent (which decreased by 2%) minus utilities (which decreased 15%), and therefore changed proportionately to the changes in each of these. Insurance premiums increased by \$5,077, or by 2%, since property and casualty insurance premiums increased.
- Maintenance and repairs decreased by \$11,690, or by 4% from that of the prior fiscal year, due to several offsetting factors: Repair staff wages decreased by \$2,779, and related employee benefit contributions decreased by \$18,547. Also contract labor costs increased by \$46,117, but materials used decreased by \$36,481.
- Depreciation expense decreased by \$140,995 from that of the prior fiscal year, despite the fact that there was a significant increase in capital assets by \$382,714, because existing capital assets are reaching the end of their estimated useful lives.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2006, the Housing Authority had a total cost of \$11,236,428 invested in a broad range of assets and construction in progress from projects funded in 2001 through 2004, listed below. This amount, not including depreciation, represents increases of \$382,713 from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

**Capital Assets, Net of Accumulated Depreciation  
 As of September 30,**

	<u>2006</u>	<u>2005</u>
Land	\$ 165,000	\$ 165,000
Construction in Progress	471,645	904,152
Buildings	2,451,676	2,067,334
Leasehold Improvements	204,285	260,527
Furniture and Equipment	14,185	28,369
	<u>3,306,791</u>	<u>3,425,382</u>
Total		

### Debt

Non-current liabilities also include accrued annual vacation and sick leave due to employees. The Housing Authority has not incurred any mortgages, leases, or bond indentures for financing capital assets or operations.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for the 2006 fiscal year have already been submitted to HUD for approval and no major changes are expected.

The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing properties including administrative fees involved in the modernization.

## **CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Sandra Green, at Public Housing Authority of Morgan City, Louisiana; P. O. Box 2393; Morgan City, LA 70381.

## **FINANCIAL STATEMENTS**

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY  
Program Number FW-1403

Statement of Net Assets  
September 30, 2006

ASSETS

Current assets:

Cash	\$ 415,263
Receivables	
HUD	265,449
Other	8,810
Prepaid expenses	119,231
Inventories	<u>14,585</u>
Total current assets	823,338

Restricted assets:

Cash - Tenant Deposits	40,454
Property and equipment, net	<u>3,306,791</u>

Total assets	<u>\$ 4,170,583</u>
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*The accompanying notes are an integral part of this statement.*

## LIABILITIES AND NET ASSETS

### Current liabilities:

Accounts payable	\$ 304,581
Accrued expenses	56,333
Deferred revenues	<u>42,221</u>
Total current liabilities	403,135

### Noncurrent liabilities:

Compensated absences payable	<u>6,022</u>
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Total liabilities	<u>409,157</u>
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### Net assets:

Invested in capital assets	3,306,791
Unrestricted	<u>454,635</u>

Total net assets	<u>3,761,426</u>
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Total liabilities and net assets	<u>\$ 4,170,583</u>
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HOUSING AUTHORITY OF THE CITY OF MORGAN CITY  
Program Number FW-1403

Statements of Revenues, Expenses and Changes in Net Assets  
Year Ended September 30, 2006

Operating revenues	
Rental	\$ 385,519
Maintenance and other tenant revenue	139,876
HUD operating grants	<u>850,606</u>
Operating revenues	<u>1,376,001</u>
Expenses:	
Administrative	217,558
Depreciation	570,714
Operating and maintenance	529,975
Taxes and insurance	218,895
Utilities	<u>513,161</u>
Total expenses	<u>2,050,303</u>
Operating loss	<u>(674,302)</u>
Non-operating revenues:	
Capital grant	452,120
Interest income	3,198
Other non-tenant revenues	<u>34,241</u>
Total non-operating revenues	<u>489,559</u>
Net loss	(184,743)
Net assets, beginning of year, as restated	<u>3,946,169</u>
Net assets, end of year	<u>\$ 3,761,426</u>

*The accompanying notes are an integral part of this statement.*



HOUSING AUTHORITY OF THE CITY OF MORGAN CITY  
Program Number FW-1403

Statement of Cash Flows  
Year Ended September 30, 2006

OPERATING ACTIVITIES

Rents and other fees collected from tenants	\$ 518,869
Operating subsidy received	888,457
Paid to suppliers and employees	<u>(1,356,212)</u>
Net cash provided by operating activities	<u>51,114</u>

CAPITAL AND RELATED FINANCING ACTIVITIES

Grant proceeds	233,681
Purchase/Construction of capital assets	(452,120)
Other receipts	<u>34,241</u>
Net cash used for capital and related financing activities	<u>(184,198)</u>

INVESTING ACTIVITIES

Interest income	<u>3,198</u>
Net cash provided by investing activities	<u>3,198</u>

Net decrease in cash (129,886)

Cash and restricted cash, beginning 585,603

Cash and restricted cash, ending \$ 455,717

Reconciliation of income from operations to net cash provided by operating activities:

Income from operations	\$ (674,302)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities -	
Depreciation	570,714
Increase or decrease in:	
Accounts receivable	(6,526)
Prepaid expenses	(18,541)
Inventories	(12,442)
Accounts payable	171,440
Accrued expenses	(17,080)
Deferred revenue	<u>37,851</u>
Net cash provided by operating activities	<u>\$ 51,114</u>

*The accompanying notes are an integral part of this statement.*

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY  
Program Number FW-1403

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

A. Nature of Organization and Operations

The Authority is a 330-unit apartment complex for persons of low income located in Morgan City, Louisiana. The Authority also administers a Section 8 Rental Voucher Program. The Authority was organized for the purpose of providing decent, safe and sanitary dwelling for persons of low income.

The Housing Authority of the City of Morgan City is a municipal corporation located in Morgan City, Louisiana and was established under the provisions of LSA-RS 40:381 et seq for the purpose of providing decent, safe and sanitary housing for persons of low income. The Authority is engaged in the acquisition, modernization, and administration of low-rent housing. The Authority is administered by a governing Board of Commissioners (the Board), whose members are appointed by the Mayor of the City of Morgan City, Louisiana. Each member serves a four-year term on a rotating basis. Substantially all of the Authority's revenue is derived from subsidy contracts with the U. S. Department of Housing and Urban Development (HUD). The annual contributions contracts entered into by the Authority and HUD provide operating subsidies for Authority-owned public housing facilities for eligible individuals.

B. Reporting Entity

General accepted accounting principles require that the financial statements present the accounts and operations of the Authority and its component units, entities for which the Authority is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Authority's operations and data from these units, if any, are combined with data of the Authority. Each discretely presented component unit, if any would be reported in a separate column in the combined financial statements to emphasize that it is legally separate from the Authority. As of September 30, 2006, and for the fiscal year then ended, the Authority had no discretely presented component units or any component units required to be blended in these financial statements.

C. Fund Accounting

The Authority is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where (a) the intent of the governing body is that the cost (expense, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY  
Program Number FW-1403

Notes to Financial Statements (continued)

D. Basis of Accounting

The financial statements of the Housing Authority of the City of Morgan City have been prepared in conformity with accounting principles generally accepted in the United States of America and, as a governmental entity provides certain disclosures required by the Governmental Accounting Standards Board. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Pursuant to Government Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 in preparing financial statements and related disclosures unless those pronouncements conflict or contradict Governmental Accounting Standards Board (GASB) pronouncements.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund is included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred, regardless of the timing of the related cash flows.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

F. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid expenses consist primarily of prepaid insurance.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY  
Program Number FW-1403

Notes to Financial Statements (continued)

**G. Fixed Assets and Depreciation**

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful life of the assets. The Authority has a policy in place which requires the capitalization of all asset purchases of \$5,000 or greater.

Depreciation of all exhaustible fixed assets used by enterprise funds is charged as an expense against operations; and accumulated depreciation is reported on the balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	20 years
Building Improvements	10 years
Equipment	3 - 7 years
Site Improvements	20 years
Non-dwelling Structures	20 years

The recognition of depreciation begins upon placement of the asset into useful operation.

**H. Cash Equivalents**

Cash includes amounts in demand deposits and interest bearing demand deposits. Cash equivalents include amounts in time deposits having a maturity of three months or less when purchased.

**I. Inventories**

Inventories are stated at cost using the first-in first-out, (FIFO) method.

**J. Retirement Plan**

The Authority provides benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate after a three month exclusionary period. The entity's contributions for each employee (and interest allocated to the employee's account) are vested 20% annually for each year of participation. An employee is fully vested after 5 years of participation.

**K. Compensated Absences**

Employees earn annual leave based upon years of service, and may accrue up to 300 hours. Sick time is earned but not accrued since it is dependent upon a future event. Upon termination all accrued annual leave is paid.

**HOUSING AUTHORITY OF THE CITY OF MORGAN CITY**  
**Program Number FW-1403**

**Notes to Financial Statements (continued)**

**(2) Cash and Certificates of Deposits**

Under state law, the Authority may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Authority may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2006, the Authority had cash and interest-bearing deposits (book balances) totaling \$455,717.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Authority's deposits may not be recovered or will not be able to recover collateral securities that are in the possession of an outside party. Under state law, deposits, (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the Authority or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties. The following is a summary of deposit balances (bank balances) at September 30, 2006, and the related federal insurance and pledged securities:

Bank balances	<u>\$475,970</u>
Federal deposit insurance	\$100,000
Pledged securities	<u>375,970</u>
Total federal insurance and pledged securities	<u>\$475,970</u>

As of September 30, 2006, the Authority's total bank balances were fully insured and collateralized with securities held in the name of the Authority by the pledging financial institution's agent and therefore not exposed to custodial credit risk.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY  
Program Number FW-1403

Notes to Financial Statements (continued)

(3) Receivables

At September 30, 2006 receivables consisted of the following:

	Low Rent	Capital Fund Program	Total
Accounts	\$ 8,810	\$ -	\$ 8,810
Grants - HUD	-	265,449	265,449
Total	<u>\$ 8,810</u>	<u>\$ 265,449</u>	<u>\$ 274,259</u>

(4) Property and Equipment

A summary of property and equipment at September 30, 2006, follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 165,000	\$ -	\$ -	\$ 165,000
Construction in progress	904,152	409,116	841,623	471,645
Buildings	2,610,497	269,377	-	2,879,874
Office furniture and equipment	348,361	-	69,409	278,952
Leasehold improvements	<u>6,825,710</u>	<u>615,250</u>	<u>-</u>	<u>7,440,960</u>
Total	<u>\$ 10,853,720</u>	<u>\$ 1,293,743</u>	<u>\$ 911,032</u>	<u>\$ 11,236,431</u>
Accumulated depreciation	<u>\$ 7,428,335</u>	<u>\$ 570,714</u>	<u>\$ 69,409</u>	<u>\$ 7,929,640</u>

(5) Net Assets

None of the Authority's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as unrestricted net assets under SFAS No. 117.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY  
Program Number FW-1403

Notes to Financial Statements (continued)

(6) Current Vulnerability Due to Certain Concentrations

The Authority's major asset is a 330-unit apartment complex. The Authority's operations are concentrated in the multifamily real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including additional administrative burden, to comply with a change.

(7) Contingencies

The Authority participates in a number of federally assisted grant programs and are subject to compliance audits under the single audit approach. Such audits could lead to request for reimbursement by the grantor agencies for expenses disallowed under the terms of the grants. The Authority's management believes that the extent of such disallowance, if any, which may arise will not be material.

**HOUSING AUTHORITY OF THE CITY OF MORGAN CITY**  
**Program Number FW-1403**

**Notes to Financial Statements (continued)**

**(8) Prior Period Adjustments**

For the year ended September 30, 2005, certain errors resulting in the overstatement of net assets in the Authority's previously issued financial statements have been corrected in the current year. These corrections resulted in the following changes to beginning net assets as follows:

	<u>Low Rent</u>	<u>Capital Fund Program</u>	<u>Section 8 Choice Voucher Program</u>	<u>Total</u>
Net assets, September 30, 2005	2,483,683	1,405,541	76,201	3,965,425
Transfer of capital asset costs from Capital Fund Program to Low Rent	516,720	(516,720)	-	-
Adjustment of prior year operating subsidy	<u>(19,256)</u>	<u>-</u>	<u>-</u>	<u>(19,256)</u>
Net assets, September 30, 2005, as restated	<u>2,981,147</u>	<u>888,821</u>	<u>76,201</u>	<u>3,946,169</u>



## **SUPPLEMENTAL INFORMATION**

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY  
Program Number FW-1403

Combining Schedule of Net Assets  
September 30, 2006

	Low Rent	Capital Fund Program	Section 8 Choice Voucher Program	Eliminations	TOTAL
<b>Current assets:</b>					
Cash	\$ 242,653	\$ -	\$ 172,610	\$ -	\$ 415,263
Receivables					
HUD	-	265,449	-	-	265,449
Other	8,810	-	-	-	8,810
Prepaid expenses	119,231	-	-	-	119,231
Inventories	14,585	-	-	-	14,585
Interprogram - due from	75,270	-	-	(75,270)	-
Total current assets	<u>460,549</u>	<u>265,449</u>	<u>172,610</u>	<u>(75,270)</u>	<u>823,338</u>
<b>Restricted assets:</b>					
Cash - tenant deposits	<u>40,454</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,454</u>
<b>Property and equipment:</b>					
Land	165,000	-	-	-	165,000
Construction in progress	-	471,645	-	-	471,645
Buildings	2,006,605	873,269	-	-	2,879,874
Nondwelling equipment	260,400	-	18,552	-	278,952
Improvements	<u>7,440,960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,440,960</u>
Total fixed assets	<u>9,872,965</u>	<u>1,344,914</u>	<u>18,552</u>	<u>-</u>	<u>11,236,431</u>
Less: accumulated depreciation	<u>7,818,763</u>	<u>92,325</u>	<u>18,552</u>	<u>-</u>	<u>7,929,640</u>
Net fixed assets	<u>2,054,202</u>	<u>1,252,589</u>	<u>-</u>	<u>-</u>	<u>3,306,791</u>
<b>Total assets</b>	<u>\$ 2,555,205</u>	<u>\$ 1,518,038</u>	<u>\$ 172,610</u>	<u>\$ (75,270)</u>	<u>\$ 4,170,583</u>
<b>Current liabilities:</b>					
Accounts payable	\$ 85,832	\$ 218,749	\$ -	\$ -	\$ 304,581
Accrued wages payable	6,267	-	1,045	-	7,312
Accrued liabilities - other	18,266	-	-	-	18,266
Tenant security deposits	30,755	-	-	-	30,755
Deferred revenues	-	42,221	-	-	42,221
Interprogram - due to	-	4,479	70,791	(75,270)	-
Total current liabilities	<u>141,120</u>	<u>265,449</u>	<u>71,836</u>	<u>(75,270)</u>	<u>403,135</u>
<b>Noncurrent liabilities:</b>					
Compensated absences payable	<u>6,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,022</u>
<b>Total liabilities</b>	<u>147,142</u>	<u>265,449</u>	<u>71,836</u>	<u>(75,270)</u>	<u>409,157</u>
<b>Net assets:</b>					
Invested in capital assets	2,054,202	1,252,589	-	-	3,306,791
Unrestricted	<u>353,861</u>	<u>-</u>	<u>100,774</u>	<u>-</u>	<u>454,635</u>
<b>Total net assets</b>	<u>2,408,063</u>	<u>1,252,589</u>	<u>100,774</u>	<u>-</u>	<u>3,761,426</u>
<b>Total liabilities and net assets</b>	<u>\$ 2,555,205</u>	<u>\$ 1,518,038</u>	<u>\$ 172,610</u>	<u>\$ (75,270)</u>	<u>\$ 4,170,583</u>

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY  
Program Number FW-1403

Combining Schedule Revenues, Expenses and Changes in Net Assets  
Year Ended September 30, 2006

	Low Rent	Capital Fund Program	Section 8 Choice Voucher Program	TOTAL
<b>Operating revenues:</b>				
Tenant				
Rental	\$ 385,519	\$ -	\$ -	\$ 385,519
Maintenance and other	139,876	-	-	139,876
HUD operating grants	480,532	65,417	304,657	850,606
Total operating revenues	<u>1,005,927</u>	<u>65,417</u>	<u>304,657</u>	<u>1,376,001</u>
<b>Expenses:</b>				
Administrative -				
Auditing fees	7,893	-	3,383	11,276
Bookkeeping/Accounting fees	9,100	-	3,900	13,000
Compensated Absences	(1,943)	-	399	(1,544)
Conventions and meetings	5,351	-	696	6,047
Other Operating - Administrative	75,841	13,044	-	88,885
Salaries and benefits	74,077	-	25,817	99,894
Total administrative expenses	<u>170,319</u>	<u>13,044</u>	<u>34,195</u>	<u>217,558</u>
Depreciation	<u>483,387</u>	<u>87,327</u>	<u>-</u>	<u>570,714</u>
Operating and maintenance -				
Contract costs	71,530	23,038	231,921	326,489
Salaries and benefits	129,077	30,360	2,028	161,465
Sundry - Section 8	-	-	10,077	10,077
Supplies	31,944	-	-	31,944
Total operating and maintenance expenses	<u>232,551</u>	<u>53,398</u>	<u>244,026</u>	<u>529,975</u>
Taxes and insurance -				
Property and liability insurance	<u>216,187</u>	<u>-</u>	<u>2,708</u>	<u>218,895</u>

(continued)

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY  
Program Number FW-1403

Combining Schedule Revenues, Expenses and Changes in Net Assets (continued)  
Year Ended September 30, 2006

	<u>Low Rent</u>	<u>Capital Fund Program</u>	<u>Section 8 Choice Voucher Program</u>	<u>TOTAL</u>
Utilities -				
Electricity	292,079	-	-	292,079
Garbage and trash removal	49,094	-	-	49,094
Gas	119,468	-	-	119,468
Water	52,520	-	-	52,520
Total utilities expenses	<u>513,161</u>	<u>-</u>	<u>-</u>	<u>513,161</u>
Total expenses	<u>1,615,605</u>	<u>153,769</u>	<u>280,929</u>	<u>2,050,303</u>
Operating income (loss)	<u>(609,678)</u>	<u>(88,352)</u>	<u>23,728</u>	<u>(674,302)</u>
Non-operating revenues:				
Capital grant	-	452,120	-	452,120
Interest income	2,353	-	845	3,198
Other	34,241	-	-	34,241
Total non-operating revenues	<u>36,594</u>	<u>452,120</u>	<u>845</u>	<u>489,559</u>
Net income (loss)	<u>(573,084)</u>	<u>363,768</u>	<u>24,573</u>	<u>(184,743)</u>
Net assets, beginning of year	2,483,683	1,405,541	76,201	3,965,425
Prior period adjustments	<u>497,464</u>	<u>(516,720)</u>	<u>-</u>	<u>(19,256)</u>
Net assets, end of year	<u>\$ 2,408,063</u>	<u>\$ 1,252,589</u>	<u>\$ 100,774</u>	<u>\$ 3,761,426</u>

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY  
Program Number FW-1403

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2006

<u>Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Contract/ Grant Number</u>	<u>Federal Expenditures</u>
<u>Department of Housing and Urban Development:</u>			
Direct Programs:			
Public and Indian Housing	14.850	LA036-001-04S	\$ 480,532
Section 8 Housing Choice Vouchers	14.871	LA221	304,657
Public Housing Capital Fund Program	14.872	LA48P036501-02 LA48P036501-03 LA48P036501-04 LA48P036501-05	3,343 42,682 371,328 <u>100,184</u>
			<u>\$ 1,302,726</u>

**HOUSING AUTHORITY OF THE CITY OF MORGAN CITY**  
**Program Number PW-1403**

**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2006**

**(1)    General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Housing Authority of the City of Morgan City (the Authority). The Authority's reporting entity is defined in Note 1 to the financial statements for the year ended September 30, 2006. All federal financial assistance is received directly from federal agencies and is included on the schedule of expenditures of federal awards. The major federal programs of the Authority were the Low Income Housing Operating Subsidy, the Section 8 Housing Choice Vouchers and Public Housing Capital Fund Program, all received directly from the United States Department of Housing and Urban Development.

**(2)    Basis of Accounting**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting.

**(3)    Relationship to Financial Statements**

Amounts reported in the Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports, except for adjustments required to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY  
Program Number FW-1403

Schedule of Capital Fund Program Costs  
Year Ended September 30, 2006

	<u>LA48PO36501-02</u>	<u>LA48PO36501-03</u>	<u>LA48PO36501-04</u>	<u>LA48PO36501-05</u>	<u>TOTAL</u>
Funds approved	\$ 596,650	\$ 473,585	\$ 534,145	\$ 541,875	\$ 2,146,255
Funds expended					
Prior years	593,307	430,903	162,817	-	1,187,027
Currently	3,343	42,682	371,328	100,184	517,537
Total funds expended	<u>596,650</u>	<u>473,585</u>	<u>534,145</u>	<u>100,184</u>	<u>1,704,564</u>
Excess funds approved	\$ -	\$ -	\$ -	\$ 441,691	\$ 441,691
Funds advanced					
Amounts receivable	3,343	42,682	206,063	-	\$ 252,088
Funds expended	<u>-</u> <u>(3,343)</u>	<u>-</u> <u>(42,682)</u>	<u>165,265</u> <u>(371,328)</u>	<u>100,184</u> <u>(100,184)</u>	<u>265,449</u> <u>(517,537)</u>
Excess funds advanced	\$ -	\$ -	\$ -	\$ -	\$ -

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY  
Program Number FW-1403

Financial Data Schedule - Balance Sheet  
September 30, 2006

	Account Description	Low Rent 14.850a	Capital Fund Program (CFP) 14.872	Section 8 Housing Choice Vouchers 14.871	TOTAL
<b>Line Item #</b>					
	<b>ASSETS:</b>				
	<b>CURRENT ASSETS:</b>				
	<b>Cash:</b>				
111	Cash - unrestricted	242,653	-	172,610	415,263
114	Cash - tenant security deposits	40,454	-	-	40,454
100	Total cash	283,107	-	172,610	455,717
	<b>Accounts and notes receivables:</b>				
122	Accounts receivable - HUD other projects	-	265,449	-	265,449
124	Accounts receivable - other government	-	-	-	-
125	Accounts receivable - miscellaneous	-	-	-	-
126	Accounts receivable - tenants - dwelling rents	8,810	-	-	8,810
126.1	Allowance for doubtful accounts - dwelling rents	-	-	-	-
120	Total receivables, net of allowances for doubtful accounts	8,810	265,449	-	274,259
	<b>Current investments</b>				
142	Prepaid expenses and other assets	119,231	-	-	119,231
143	Inventories	14,585	-	-	14,585
144	Interprogram - due from	75,270	-	-	75,270
150	TOTAL CURRENT ASSETS	501,003	265,449	172,610	939,062
	<b>NONCURRENT ASSETS:</b>				
	<b>Fixed assets:</b>				
161	Land	165,000	-	-	165,000
162	Buildings	2,006,605	873,269	-	2,879,874
163	Furniture, equipment & machinery - dwellings	-	-	-	-
164	Furniture, equipment & machinery - administration	260,400	-	18,552	278,952
165	Leasehold improvements	7,440,960	-	-	7,440,960
166	Accumulated depreciation	(7,818,763)	(92,325)	(18,552)	(7,929,640)
167	Construction in progress	-	471,645	-	471,645
160	Total fixed assets, net of accumulated depreciation	2,054,202	1,252,589	-	3,306,791
180	TOTAL NONCURRENT ASSETS	2,054,202	1,252,589	-	3,306,791
190	TOTAL ASSETS	2,555,205	1,518,038	172,610	4,245,853
	<b>LIABILITIES AND EQUITY:</b>				
	<b>LIABILITIES:</b>				
	<b>Current Liabilities</b>				
312	Accounts payable < 90 days	85,832	218,749	-	304,581
321	Accrued wage/payroll taxes payable	-	-	-	-
322	Accrued compensated absences - current portion	6,267	-	1,045	7,312
331	Accounts payable - HUD PHA programs	-	-	-	-
333	Accounts payable - other government	-	-	-	-
341	Tenant security deposits	30,755	-	-	30,755
342	Deferred revenues	-	42,221	-	42,221
346	Accrued liabilities - other	18,266	-	-	18,266
347	Interprogram - due to	-	4,479	70,791	75,270
310	TOTAL CURRENT LIABILITIES	141,120	265,449	71,836	478,405



HOUSING AUTHORITY OF THE CITY OF MORGAN CITY  
Program Number FW-1403

Financial Data Schedule - Balance Sheet  
September 30, 2006

	Account Description	Low Rent 14.850a	Capital Fund Program (CFP) 14.872	Section 8 Housing Choice Vouchers 14.871	TOTAL
	<b>Non Current Liabilities</b>				
354	Accrued Compensated Absences - non current	6,022	-	-	6,022
350	<b>TOTAL NONCURRENT LIABILITIES</b>	6,022	-	-	6,022
300	<b>TOTAL LIABILITIES</b>	147,142	265,449	71,836	484,427
	<b>EQUITY:</b>				
501	Investment in general fixed assets	-	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	2,054,202	1,252,589	-	3,306,791
512.1	Unrestricted Net Assets	353,861	-	100,774	454,635
513	<b>TOTAL EQUITY/NET ASSETS</b>	2,408,063	1,252,589	100,774	3,761,426
600	<b>TOTAL LIABILITIES and EQUITY/NET ASSETS</b>	2,555,205	1,518,038	172,610	4,245,853
	<b>Proof of concept</b>	-	-	-	-

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY  
Program Number FW-1403

Financial Data Schedule -Revenue and Expenses  
Year Ended September 30, 2006

	Account Description	Low Rent 14.850a	Capital Fund Program (CFP) 14.872	Section 8 Housing Choice Vouchers 14.871	TOTAL
	<b>REVENUE:</b>				
703	Net tenant rental revenue	385,519	-	-	385,519
704	Tenant revenue - other	139,876	-	-	139,876
705	Total tenant revenue	525,395	-	-	525,395
706	HUD PHA operating grants	480,532	65,417	304,657	850,606
706	Capital Grants	-	452,120	-	452,120
711	Investment income - unrestricted	2,353	-	845	3,198
715	Other revenue	34,241	-	-	34,241
716	Gain or loss on sale of fixed assets	-	-	-	-
700	<b>TOTAL REVENUE</b>	<b>1,042,521</b>	<b>517,537</b>	<b>305,502</b>	<b>1,865,560</b>
	<b>EXPENSES:</b>				
	<b>Administrative</b>				
911	Administrative salaries	63,167	-	25,817	88,984
912	Auditing fees	7,893	-	3,383	11,276
914	Compensated absences	(1,943)	-	399	(1,544)
915	Employee benefit contributions- administrative	10,910	-	2,028	12,938
916	Other operating- administrative	90,292	13,044	14,673	118,009
	Subtotal	170,319	13,044	46,300	229,663
	<b>Utilities</b>				
931	Water	52,520	-	-	52,520
932	Electricity	292,079	-	-	292,079
933	Gas	119,468	-	-	119,468
938	Other utilities expense	49,094	-	-	49,094
	Subtotal	513,161	-	-	513,161
	<b>Ordinary maintenance &amp; operation</b>				
941	Ordinary maintenance and operations - labor	110,056	30,360	-	140,416
942	Ordinary maintenance and operations - materials & other	31,944	-	-	31,944
943	Ordinary maintenance and operations - contract costs	71,530	23,038	-	94,568
945	Employee benefit contributions- ordinary maintenance	19,021	-	-	19,021
	Subtotal	232,551	53,398	-	285,949
	<b>General expenses</b>				
961	Insurance premiums	216,187	-	2,708	218,895
	Subtotal	216,187	-	2,708	218,895
969	<b>TOTAL OPERATING EXPENSES</b>	<b>1,132,218</b>	<b>66,442</b>	<b>49,008</b>	<b>1,247,668</b>
970	<b>EXCESS OPERATING REVENUE OVER OPERATING EXPENSES</b>	<b>(89,697)</b>	<b>451,095</b>	<b>256,494</b>	<b>617,892</b>
973	Housing assistance payments	-	-	231,921	231,921
974	Depreciation expense	483,387	87,327	-	570,714
900	<b>TOTAL EXPENSES</b>	<b>1,615,605</b>	<b>153,769</b>	<b>280,929</b>	<b>2,050,303</b>

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY  
Program Number FW-1403

Financial Data Schedule -Revenue and Expenses  
Year Ended September 30, 2006

	Account Description	Low Rent 14.850a	Capital Fund Program (CFP) 14.872	Section 8 Housing Choice Vouchers 14.871	TOTAL
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	(573,084)	363,768	24,573	(184,743)
	Net Revenue over (under) Expense	(573,084)	363,768	24,573	(184,743)
<b>MEMO account information</b>					
1103	Beginning equity	2,483,683	1,405,541	76,201	3,965,425
1104	Prior period adjustments, equity transfers and correction of errors	497,464	(516,720)		(19,256)
1120	Unit months available				-
1121	Number of unit months leased				-
<b>Equity Roll Forward Test:</b>					
	Calculation from R/E Statement	2,408,063	1,252,589	100,774	3,761,426
	B/S Line 513	2,408,063	1,252,589	100,774	3,761,426
	Difference	-	-	-	-

**REPORTS AND SCHEDULES REQUIRED BY GOVERNMENT AUDITING STANDARDS  
AND OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULAR A-133**

# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Commissioners  
Housing Authority of the City of Morgan City  
Morgan City, Louisiana

We have audited the financial statements of the business type activities of Housing Authority of the City of Morgan City (the "Authority"), as of and for the year ended September 30, 2006, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 29, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, a certain matter was noted involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and question costs as Item 2006-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable condition described above is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the management and others within the organization and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document in accordance with LSA-R.S. 44:6.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Morgan City, Louisiana  
March 29, 2007

# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Commissioners  
Housing Authority of the City of Morgan City  
Morgan City, Louisiana

### Compliance

We have audited the compliance of the Housing Authority of the City of Morgan City (the Authority), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal programs for the year ended September 30, 2006. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Authority's administration. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended September 30, 2006.

#### Internal Control Over Compliance

The administration of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Authority's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2006-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider the reportable condition described above to be a material weakness.

This report is intended for the information and use of the management and others within the organization and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document in accordance with LSA-R.S. 44:6.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Morgan City, Louisiana  
March 29, 2007



HOUSING AUTHORITY OF THE CITY OF MORGAN CITY  
Program Number FW-1403

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2006

**Part I. Summary of Auditor's Results**

- i. An unqualified opinion has been issued on the financial statements.
- ii. A reportable condition in internal control was disclosed by the audit of the financial statements and the condition is considered a material weakness.
- iii. No instances of noncompliance were disclosed by the audit of the financial statements.
- iv. A reportable condition in internal control over major programs was disclosed by the audit and the condition is considered a material weakness.
- v. An unqualified opinion was issued on compliance for the major programs.
- vi. The report disclosed no audit finding required to be reported under §\_510(a) of OMB Circular A-133.
- vii. All major programs have oversight by HUD and are identified as follows:

<u>CFDA#</u>	<u>Name of Program</u>
14.850	Low Income Housing Operating Subsidy
14.871	Section 8 Housing Choice Vouchers
14.872	Public Housing Capital Fund Program

- viii. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- ix. The auditee did not qualify as a low risk auditee under §\_530 of Circular A-133.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY  
Program Number FW-1403

Schedule of Findings and Questioned Costs (continued)  
Year Ended September 30, 2006

Part II. Findings required to be reported in accordance with Government Auditing Standards

(2006-01) Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: SAS55, Consideration of Internal Control in a Financial Statement Audit, as amended by SAS78, Consideration of Internal Control in a Financial Statement Audit: An Amendment to Statement on Auditing Standards No. 55, AU §319.06 defines internal control as follows:

*"Internal control is a process – effected by an entity's board of directors, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.*

CAUSE: The cause of the condition is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Due to the size of the entity, the achievement of adequate segregation may not be feasible.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY  
Program Number FW-1403

Schedule of Findings and Questioned Costs (continued)  
Year Ended September 30, 2006

Part III. Findings and questioned costs for Federal awards defined in OMB Circular A-133, §510(a)

No findings are reported in this section.

**HOUSING AUTHORITY OF THE CITY OF MORGAN CITY**  
**Program Number FW-1403**

**Summary Schedule of Prior Audit Findings**  
**Year Ended September 30, 2006**

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken (Yes, No, Partially)	Planned Corrective Action/Partial Corrective Action Taken

**Section I - GAO and A-133 internal control and compliance material to financial statements and federal programs**

**Internal Control**

02-01	2002	Accounting and financial functions are not adequately segregated.	No	See corrective action plan for current year findings
05-02	2005	Former employees have access to bank account information	Yes	N/A

**Compliance**

No findings are reported in this section

**Section II - Other GAO and A-133 internal control and compliance**

**Internal Control**

05-03 IC	2002	The Housing Authority is not maintaining proper documentation in the Section 8 tenant files.	Yes	N/A
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**HOUSING AUTHORITY OF THE CITY OF MORGAN CITY**  
**Program Number FW-1403**

**Summary Schedule of Prior Audit Findings**  
**Year Ended September 30, 2006**

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
<u>Compliance</u>				
05-03 C	2002	Lack of documentation in Section 8 tenant files puts the Authority in violation of their policy manual and Federal regulations.	Yes	N/A

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY  
Program Number FW-1403

Corrective Action Plan for Current Year Findings  
Year Ended September 30, 2006

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Questioned Cost	Corrective Action Planned	Name of Contact Person	Anticipated Date Of Completion
Section I - Internal control and compliance material to financial statements						
<u>Internal Control</u>						
06-01	2002	Inadequate segregation of duties in the summarization, processing, reporting and reconciliation of accounting data.	N/A	No corrective action is planned. Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.	N/A	N/A

Compliance

No findings are reported in this section

Section II - Other internal control and compliance

Internal Control

No findings are reported in this section

Compliance

No findings are reported in this section